STATE OF MAINE
PUBLIC UTILITIES COMMISSION

PUBLIC UTILITIES COMMISSION Investigation of Retail Electric Transmission Services and Jurisdictional Issues	STIPULATION REGARDING BANGOR HYDRO-ELECTRIC COMPANY

Docket No. 99-185

The purpose of this Stipulation is to resolve all outstanding issues in this proceeding. The undersigned parties hereby agree to the following:

1. Revenue Requirement and Cost Separation. The parties agree that Company's revenue requirement for retail distribution service, including stranded costs, is $91,830,422, using the same test period as the Commission's order in Docket No. 97-596 (I and II). The parties further agree that the transmission revenue requirement "separated" from combined T&D as a result of the cost separation process in this proceeding is $11,356,276. The calculation of these revenue requirement and cost separation amounts is supported by the Company's initial filing in this matter as amended by the exhibits included in Stipulation Attachment 1, which are hereby incorporated by reference.

2. Rate Impacts. The Company presently estimates that its transmission rates effective June 1, 2000 will be substantially higher than the amount of transmission revenue requirement to be "separated" from combined T&D as a result of the cost separation process in this proceeding. Based upon the rate formula filed at the FERC by the Company and using the Company's FERC Form 1 for the year ending December 31, 1999, the Company estimates that the effective retail transmission rate increase compared to the amount of transmission costs separated from combined T&D rates is $2,444,758. With corrections to this formula accepted by the Company and expected to be accepted by the FERC, the Company estimates that the increase

would be approximately $2 million. The parties agree that such an increase in retail rates at this time would be undesirable. Further, the Company estimates that retail transmission rates to be effective June 1, 2001 are expected to be lower than those expected to be effective June 1, 2000 through May 31, 2001. The Company agrees that as part of any resolution of its FERC transmission rate proceeding, Docket No. ER00-980-000, it will agree to return to retail customers any over recovery of revenues accrued from such retail customers after June 1, 2000.

To provide rate stability to retail customers, the parties agree that it would be appropriate for the Commission to issue an accounting order authorizing the Company to utilize additional amounts from the gain on the Company's asset sale to reduce retail distribution rates in an amount that is equal to the scheduled increase in retail transmission rates. Specifically, the parties agree that the Company should adjust the amortization to reduce retail distribution revenue requirements by $2,444,758 effective June 1, 2000 using the same billing determinants used by the Company in Docket No. 97-596 (I and II). The adjustment shall be an increase in the amortization of $211,434 per month beginning on June 1, 2000. No revised retail rate schedules will be filed at this time since combined retail transmission and distribution rates will remain at current levels.

The parties further agree that prior to the effective date of any revision to the transmission rate formula made as part of FERC Docket No. ER00-980-000, including any interim adjustment, the Company shall file with the Maine Commission a proposed revision to the amortization of the gain on the asset sale that would adjust retail distribution revenue requirements by an amount that offsets the change in retail transmission rates resulting from the corrected formula. Retail revenue requirements shall be calculated for this purpose using the same billing determinants used by the Company in Docket No. 97-596 (I and II). Again, no revised retail rate schedules will be filed since combined retail transmission and distribution rates will remain at current levels. As part of this filing, the Company shall also identify any changes to the FERC jurisdictional rate formula that are inconsistent with the cost separation analysis agreed to in this stipulation and shall propose any necessary adjustments to make the separation analysis consistent with the formula.

The parties further agree that subsequent to the filing of the Company's 2000 FERC Form 1, scheduled to be filed March 31, 2001, the Company shall file with the Commission an estimate of its retail transmission rates for the period June 1, 2001 through May 31, 2002, together with any proposed revisions to its retail distribution rate schedules to be effective June 1, 2001. Such filing shall include a Company proposal regarding the continuation, modification or elimination of the accelerated amortization contemplated by this paragraph. Subsequent to filing, the Company agrees to work with the parties to develop an appropriate approach that considers rate stability and other legitimate rate design and ratemaking concerns.

3. Amortization of the Ultrapower Regulatory Asset. Since the accelerated use of the available value during the period June 1, 2000 through May 31, 2001 may increase the Company's revenue requirement in future years, such increases may be mitigated by altering the amortization schedule of BHE’s other regulatory assets, including the amortization of the cost of the Company's Ultrapower contract buyouts, in future rate proceedings. In the event the Ultrapower amortization schedule is adjusted in such a proceeding, the so-called "Ultrapower Adjustment" adopted by the Commission in its Order dated May 9, 1995 in Docket No. 95-109 shall be calculated using the amortization schedule described in Paragraph 5(A) of the Revised Stipulation in Docket No. 97-596(Phase II) approved by the Commission on February 29, 2000,

thereby holding BHE's investors harmless from any incremental unamortized balances resulting from the extension of the Ultrapower amortization schedule.

4. Reclassification of Certain Distribution Facilities as Transmission Facilities. The parties agree that based upon the FERC "seven factor" test certain distribution facilities used by wholesale customers should be reclassified as transmission facilities. The affected distribution facilities are described in the prefiled testimony and exhibits of Mark Colca on behalf of the Company. The purpose of this classification is to eliminate the potential for the payment of a supplemental charge for use of these distribution facilities by the wholesale customers. The intent of this paragraph is to provide the Federal Energy Regulatory Commission with a reasonable basis to include the cost of these facilities in the Company's transmission rates.

5. Pending FERC Proceeding. The parties to this stipulation agree that neither they nor the Commission shall take a litigation position in the Company's pending FERC proceeding, Docket No. ER00-980-000, that would require the reclassification of distribution related costs or transmission related costs from the classification agreed to pursuant to this Stipulation, such classifications being those described in the cost separation analysis included in the Company's initial filing in this matter as further amended by the exhibits included in Stipulation Attachment 1, both of which are incorporated by reference pursuant to Section 1 to this Stipulation. Nothing in this paragraph shall restrict any party or the Commission from taking a position regarding any other revenue requirement or rate design issue in Docket No. ER00-980-000.

PROCEDURAL MATTERS

6. The parties to the Stipulation hereby waive any rights that they have under 5 M.R.S.A. §9062(4) and Section 742 of the Commission Rules of Practice and Procedure to the

extent necessary to permit the Advisory Staff to discuss this Stipulation and the resolution of this case with the Commissioners at the Commission's scheduled deliberations, without providing to the parties an Examiners Report or the opportunity to file Exceptions.

7. The record on which the parties enter into this Stipulation and on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of all prefiled testimony and exhibits, and all documents and information provided in responses to written and oral data requests and any other material furnished by the Advisory Staff to the Commission, either orally or in writing, to assist the Commission in deciding whether to accept and approve this Stipulation.

8. This Stipulation shall not be considered legal precedent, nor shall it preclude a party from raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

9. This Stipulation represents the full agreement between the parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.

10. If not accepted by the Commission in accordance with the provisions hereof, this Stipulation shall not prejudice the positions taken by any party before the Commission in this proceeding and shall not be admissible evidence therein or in any other proceeding before the Commission.

Respectfully submitted this day of May, 2000

OFFICE OF THE PUBLIC ADVOCATE

By: ____

INDUSTRIAL ENERGY CONSUMERS GROUP

By: ____

INDEPENDENT ENERGY PRODUCERS OF MAINE

By: ____

GREAT NORTHERN PAPER

By: ____

ISLE AU HAUT ELECTRIC POWER COMPANY

By: ____

SWANS ISLAND ELECTRIC COOPERATIVE

By: ____

EASTERN MAINE ELECTRIC CO-OP

By: ____

BANGOR HYDRO-ELECTRIC COMPANY

By: ____